

STATEMENT OF FINANCIAL POSITION

(in millions)	SEPTEMBER 30, 2004	SEPTEMBER 30, 2003
ASSETS		
Cash	\$5,095.5	\$5,775.6
Loans Receivable, Net	5,225.4	5,893.0
Receivables from Subrogated Claims, Net	1,272.4	1,504.1
Lease Receivables Consolidated from VIEs, Net	3,815.2	803.9
Accrued Interest, Fees Receivable and Other Assets	145.3	151.9
TOTAL ASSETS	\$15,553.8	\$14,128.5
LIABILITIES AND STOCKHOLDER'S DEFICIENCY		
Borrowings from the U.S. Treasury	\$7,237.2	\$7,280.5
Payment Certificates	448.5	593.0
Borrowings Consolidated from VIEs	4,008.5	841.0
Allowance for Guarantees, Insurance and Undisbursed Loans	6,077.7	7,263.6
Claims Payable	12.1	12.3
Amounts Payable to the U.S. Treasury	751.5	1,943.5
Deferred Fees	889.5	887.1
Other Liabilities	83.3	108.3
Total Liabilities	19,508.3	18,929.3
COMMITMENTS AND CONTINGENCIES (Note 19)		
Capital Stock held by the U.S. Treasury	1,000.0	1,000.0
Tied Aid Appropriations	341.7	342.9
Credit Appropriations	444.9	574.9
Accumulated Deficit	(5,741.1)	(6,718.6)
Total Stockholder's Deficiency	(3,954.5)	(4,800.8)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIENCY	\$15,553.8	\$14,128.5

The accompanying notes are an integral part of this financial statement.

STATEMENT OF OPERATIONS

(in millions)	For the Year Ended SEPTEMBER 30, 2004	For the Year Ended SEPTEMBER 30, 2003
INTEREST INCOME		
Interest on Loans	\$734.7	\$613.2
Interest on Leases Consolidated from VIEs	83.3	7.7
Interest on Cash and Cash Equivalents	218.9	302.6
Total Interest Income	1,036.9	923.5
INTEREST EXPENSE		
Interest on Borrowings	466.3	484.0
Interest on Borrowings Consolidated from VIEs	83.3	7.7
Other Interest Expense	0.1	0.1
Total Interest Expense	549.7	491.8
NET INTEREST INCOME	487.2	431.7
Provision for Losses	(505.1)	113.2
Net Income after Provision for Losses	992.3	318.5
NON-INTEREST INCOME		
Commitment Fees	10.4	14.5
Exposure Fees for Guarantees	313.2	311.6
Insurance Premiums and Other Fees	36.3	26.2
Guarantee Amortization	679.8	-
Other Income	100.7	37.0
Total Non-Interest Income	1,140.4	389.3
NON-INTEREST EXPENSE		
Administrative Expense	71.6	66.3
Other Expense	16.7	0.1
Total Non-Interest Expense	88.3	66.4
NET INCOME	\$2,044.4	\$641.4

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CHANGES IN CAPITAL AND ACCUMULATED DEFICIT

(in millions)	APPROPRIATED CAPITAL					Total
	Capital Stock	Tied Aid	Pre-Credit Reform	Post-Credit Reform	Accumulated Deficit	
BALANCE AT SEPTEMBER 30, 2002	\$1,000.0	\$344.3	\$0.0	\$296.5	\$(5,303.9)	\$(3,663.1)
Appropriations Received				577.7		577.7
Appropriations Obligated Excluding Tied Aid				(402.2)	402.2	0.0
Net Income					641.4	641.4
Appropriations Deobligated and Reavailable, Net				103.2	(103.2)	0.0
Transfers of Pre-credit Reform Amounts and Negative Subsidy, Net (Note 2)					(472.6)	(472.6)
Tied Aid Appropriations Disbursed		(1.4)				(1.4)
Amounts Payable to the U.S. Treasury (Note 2)				(0.3)	(1,882.5)	(1,882.8)
BALANCE AT SEPTEMBER 30, 2003	\$1,000.0	\$342.9	\$0.0	\$574.9	\$(6,718.6)	\$(4,800.8)
Appropriations Received				72.5		72.5
Appropriations Obligated Excluding Tied Aid				(351.6)	351.6	0.0
Net Income					2,044.4	2,044.4
Appropriations Deobligated and Reavailable, Net				149.3	(149.3)	0.0
Transfers of Pre-credit Reform Amounts and Negative Subsidy, Net (Note 2)					(541.7)	(541.7)
Tied Aid Appropriations Disbursed		(1.2)				(1.2)
Amounts Payable to the U.S. Treasury (Note 2)				(0.2)	(727.5)	(727.7)
BALANCE AT SEPTEMBER 30, 2004	\$1,000.0	\$341.7	\$0.0	\$444.9	\$(5,741.1)	\$(3,954.5)

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS

(in millions)	For the Year Ended SEPTEMBER 30, 2004	For the Year Ended SEPTEMBER 30, 2003
CASH FLOWS FROM OPERATIONS		
Net Income	\$2,044.4	\$641.4
Adjustments to Reconcile Net Income to Net Cash from Operations:		
Amortization of Discount on Loans Receivable	(7.9)	(9.7)
Amortization of Loan Exposure Fees	(19.2)	(19.1)
Provision for Credit and Claim Losses	(505.1)	113.2
Guarantee Amortization	(679.8)	-
Claim Payments and Recoveries, Net	137.7	231.0
Increase/(Decrease) in Deferred Fees	2.4	(6.4)
Decrease/(Increase) in Accrued Interest Receivable, Fees Receivable and Other Assets	6.6	(7.0)
(Decrease)/Increase in Other Liabilities	(25.0)	30.8
Net Cash Provided by Operations	954.1	974.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Disbursements	(208.3)	(785.4)
Repayment of Loans Receivable	1,152.1	971.0
Disbursements of Lease Receivables Consolidated from VIEs	(3,183.7)	(848.1)
Repayment of Lease Receivables Consolidated from VIEs	151.4	7.1
Net Cash Used by Investing Activities	(2,088.5)	(655.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from the U.S. Treasury	497.2	930.6
Repayment of Borrowings from the U.S. Treasury	(540.5)	(307.5)
Borrowings Consolidated from VIEs	3,183.7	848.1
Repayment of Borrowings Consolidated from VIEs	(151.4)	(7.1)
Credit Appropriations Received	72.5	577.7
Amounts Transferred to the U.S. Treasury	(2,461.5)	(4,032.8)
Claim Payment Certificates Paid	(144.5)	(192.6)
Tied Aid Disbursements	(1.2)	(1.4)
Net Cash Provided/(Used) in Financing Activities	454.3	(2,185.0)
Net Decrease in Cash	(680.1)	(1,866.2)
Cash - Beginning of Year	5,775.6	7,641.8
CASH - END OF YEAR	\$5,095.5	\$5,775.6
Supplemental Disclosures of Cash Flow Information:		
CASH PAID DURING THE YEAR FOR INTEREST	\$474.3	\$451.8

The accompanying notes are an integral part of this financial statement.

EXPORT-IMPORT BANK OF THE UNITED STATES

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Enabling Legislation and Mission

The Export-Import Bank of the United States (Ex-Im Bank) is an independent corporate agency of the United States that was first organized as a District of Columbia banking corporation in 1934. Ex-Im Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act of 1990 (P.L. 101-508). Continuation of Ex-Im Bank as an independent corporate agency of the United States is subject to periodic reauthorizations granted by Congress. Congressional authorization has been extended through September 30, 2006. For fiscal year 2004, the reauthorization increased Ex-Im Bank's overall limit on loans, guarantees and insurance that can be outstanding at any one time from \$85 billion to \$90 billion. The limit increases by an additional \$5 billion each year through fiscal year 2006.

Ex-Im Bank's mission is to facilitate U.S. exports by providing financing in order to level the playing field for American exporters facing officially supported foreign financing competition and to supplement private sources of financing where the private sector is unwilling or unable to provide financing and Ex-Im Bank determines that reasonable assurance of repayment exists. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers four financial products: direct loans, loan guarantees, working capital guarantees and export credit insurance. All Ex-Im Bank guarantees carry the full faith and credit of the U.S. government.

Ex-Im Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. Ex-Im Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. Ex-Im Bank's direct loans carry the lowest fixed interest rate permitted for the importing country and term under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the Organization for Economic Cooperation and Development (OECD).

Ex-Im Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. Ex-Im Bank guarantees to a lender that, in the event of a payment default by the borrower, it will pay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers all of the commercial and political risks for 85 percent of the U.S. contract value.

Ex-Im Bank extends medium-term and long-term direct loans and loan guarantees to foreign buyers of U.S. exports. Loans and guarantees extended under the medium-term loan program have repayment terms of one to seven years, while loans and guarantees extended under the long-term loan program usually have repayment terms in excess of seven years. Generally, both the medium-term and long-term loan and guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods.

Under the Working Capital Guarantee Program, Ex-Im Bank provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The working capital guarantee may be approved for a single loan or a revolving line of credit. Ex-Im Bank's working capital guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

Ex-Im Bank's export credit insurance program helps U.S. exporters sell their goods overseas by protecting them against the risk of foreign buyer or other foreign debtor default for political or commercial reasons, allowing them to extend credit to their international customers. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive (commercial and political) credit risks or only political risks, and cover short-term or medium-term sales.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant of these estimates are the allowances for losses on loans receivable, lease receivables, subrogated claims receivable, and guarantees and insurance. Estimates are also used in the determination of the primary beneficiary for variable interest entities (VIEs) and for residual values on lease receivables consolidated from VIEs. Certain assumptions are also used to calculate the fair value of financial instruments (Note 18). Actual results could differ significantly from management's assumptions and estimates.

Loans Receivables, Net

Loans are generally carried at principal amounts, less unamortized fees and discounts and an allowance for loan losses. Ex-Im Bank defers loan

exposure fees and takes these deferred fees into interest income as a yield adjustment over the term of the loans using the interest method. If a loan is prepaid, any unamortized fees are recognized as interest income at the time of prepayment.

From time to time, Ex-Im Bank extends the repayment date and may modify the interest rate of some or all principal installments of a loan because the obligor or country has encountered financial difficulty and Ex-Im Bank has determined that providing relief in this manner will enhance the ability to collect the loan.

Discount on Loans Receivables

In fulfilling its mission to aid in financing and facilitating exports of U.S. goods and services and to provide U.S. exporters with financing that is competitive with that provided by foreign governments to their exporters, Ex-Im Bank, at times, lends money at interest rates lower than its cost of funds. In the period these loans are disbursed, Ex-Im Bank records a charge to income equivalent to the discount at disbursement. The discount is amortized to interest income over an eight-year period, the average life of the loan portfolio using a method that approximates the interest method.

Lease Receivables and Borrowings Consolidated from VIEs, Net

Lease receivables and borrowings arise from consolidation of certain variable interest entities (VIEs). See Notes 3 and 7. The leases are finance leases in accordance with FASB No. 13, Accounting for Leases.

Receivables from Subrogated Claims, Net

Receivables from subrogated claims represent the outstanding balance of payments that were made on claims that were submitted to Ex-Im Bank in its capacity as guarantor or insurer under Ex-Im Bank's export guarantee or insurance programs. Under the subrogation clauses in its guarantee and insurance contracts, Ex-Im Bank receives all rights, title and interest in all amounts relating to claims paid under insurance policies and guarantees and therefore establishes an asset to reflect such rights.

Accrued Interest

Interest is accrued on loans and claims as it is earned. Generally, loans and subrogated claims receivable delinquent 90 days or more are placed on a non-accrual status unless they are well-secured and significant collections have been received. At the time that a loan or claim is placed on non-accrual status, any accrued but unpaid interest previously recorded

is reversed against current period interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

Rescheduling agreements frequently allow for Ex-Im Bank to add uncollected interest to the principal balance of rescheduled loans and subrogated claims receivable (i.e., capitalized interest). When capitalized, any accrued interest receivable is reversed against current period's interest income. The amount of interest that was capitalized and included in the principal balance is recorded as income when cash collections occur and only after all principal not related to the capitalized interest is paid. An allowance is established for all uncollected capitalized interest.

Allowance for Losses on Loans, Guarantees, Insurance, Subrogated Claims and Lease Receivables

The allowance for losses provides for estimated losses inherent in the loan, claim, lease, guarantee and insurance portfolios. The allowance is established as losses are estimated to have occurred through a provision charged to earnings. Write-offs are charged against the allowance when management believes the uncollectibility of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Ex-Im Bank is the primary beneficiary of certain variable interest entities (VIEs) that have been created in connection with security arrangements for certain export credits. The lease arrangements associated with these VIEs are direct financing leases, and a loss allowance for the lease receivables is established for probable losses inherent in the lease portfolio.

An asset (loans or claims receivable) is considered impaired when, based on current information and events, it is probable that Ex-Im Bank will be unable to collect the scheduled payments of principal or

interest when due according to the contractual terms of the agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Assets that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the asset and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Ex-Im Bank generally considers an asset impaired if it meets one or more of the following:

- (1) delinquent loans and claims with an amount of \$50,000 or more past due at least 90 days,
- (2) rescheduled loans and rescheduled claims, and
- (3) non-delinquent loans and claims above a certain risk rating.

Ex-Im Bank is subject to credit risk for certain other financial instruments. These financial instruments consist of (1) guarantees and insurance that provide repayment protection against certain political and commercial risks and (2) guarantees of letters of credit underlying future loan disbursements. Ex-Im Bank generally does not hold collateral or other security to support its medium-term and short-term financial instruments. Ex-Im Bank generally does hold collateral for credits supporting export of aircraft and a variety of security arrangements are made in the case of project finance transactions. When issuing working capital guarantees, Ex-Im Bank frequently requires the guaranteed party to obtain collateral or a third-party guarantee from the debtor. The amount of collateral required is based on management's credit evaluation.

The risks associated with guarantees and insurance differ from those associated with the loan portfolio. Loans are spread more evenly than guarantees over the entire risk spectrum, while guarantees and insurance are concentrated in relatively lower-risk countries.

Sovereign debt reschedulings take place under the framework of the Paris Club. The Paris Club is an "ad hoc" group of 20 permanent member creditor countries. The Paris Club meets regularly in Paris to discuss and provide debt relief to qualifying debtor countries. The debt relief provided depends on the economic and financial situation of the applying debtor country and can take the form of debt forgiveness and/or debt rescheduling.

Accounting for Guarantees in a Foreign Currency

Ex-Im Bank provides guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for Ex-Im Bank guarantees as of September 30, 2004, are the Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Colombian peso, euro, Japanese yen, Mexican peso, Moroccan dirham, New Zealand dollar, Philippine peso, Russian ruble, South African rand, Swedish krona, and Swiss franc. At the time of authorization, Ex-Im Bank records the dollar amount equivalent to the foreign currency obligation approved by the board of directors based on the exchange rate at that time. At the end of each fiscal year, Ex-Im Bank determines the dollar equivalent of the outstanding balance for each foreign currency guarantee based on the exchange rate at the end of the year, and adjusts the Allowance for Guarantees accordingly. See Note 10.

Borrowings from the U.S. Treasury

The main source of Ex-Im Bank's outstanding debt is borrowings from the U.S. Treasury. Borrowings from the U.S. Treasury are used primarily to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest. They are further discussed in Note 15.

Payment Certificates

Payment certificates represent Ex-Im Bank's outstanding borrowings related to specific claims for which Ex-Im Bank is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by Ex-Im Bank in exchange for the foreign importer's defaulted note which was guaranteed by Ex-Im Bank and the payment certificates carry the same repayment terms and interest rate as the guaranteed foreign importer's note. Payment certificates are backed by the full faith and credit of the U.S. government and are freely transferable.

Claims Payable

Liabilities for claims arising from Ex-Im Bank's guarantee and insurance activities and the related estimated losses and claim recovery expenses are accrued upon approval of a claim.

Amounts Payable to U.S. Treasury

Amounts payable to the U.S. Treasury results from the re-estimate required under Federal Credit Reform Act procedures of the balance in Ex-Im Bank's financing account at the Treasury reserved to cover estimated losses and expired appropriations to be returned to Treasury.

Fees and Premiums

Ex-Im Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. Exposure fees for loans are recognized as interest income over the life of the loan using the interest method. Exposure fees for guarantees are recognized as non-interest income over the life of the guaranteed loan using the interest method. Commitment fees are charged on the undisbursed balance of direct loans and guarantees. These fees are generally non-refundable and are recognized as income when accrued.

On working capital guarantees, Ex-Im Bank charges an up-front facility fee, which, due to the short-term nature of the contracts, is credited to income as collected. Premiums charged under insurance policies are recognized as income using a method that generally reflects the exposure over the term of the policy.

Appropriated Capital

Appropriations received by Ex-Im Bank pursuant to the Federal Credit Reform Act are recorded as paid-in-capital. Such appropriations are credited to Ex-Im Bank's total stockholders deficiency when they are obligated. Appropriations not required to finance credit activities are returned to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for Ex-Im Bank's tied-aid activities. Tied aid is government-to-government concessional financing of public sector capital projects in developing countries. Tied-aid terms usually involve total maturities longer than 20 years, lower than market interest rates, and/or direct grants.

Accounting and Financial Reporting Developments

In November 2002, the FASB released FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). Under FIN 45, guarantors must recognize all guarantees issued or modified after December 31, 2002, as liabilities on their balance sheets at the inception of the guarantee at its fair value. Subsequently, in December 2003, FASB issued FASB Staff Position (FSP) 45-2 to provide further guidance on recording liabilities associated with guarantees. The impact of FIN 45, as updated, on Ex-Im Bank's financial statements is discussed in Note 10.

In January 2003, the FASB issued FASB interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46), which addresses the consolidation of certain entities. Ex-Im Bank is the primary beneficiary

of certain variable interest entities that have been created in connection with security arrangements for certain export credits, primarily Ex-Im Bank-guaranteed financing for exports of commercial jet aircraft. The impact of FIN 46 on Ex-Im Bank's financial statements is discussed in Notes 3 and 7.

FIN 46 required immediate consolidation by the primary beneficiary of VIEs created after January 31, 2003. In accordance with that pronouncement, certain VIEs were consolidated with the Bank's fiscal year 2004 and fiscal year 2003 financial statements. See Note 3 for further discussion.

FIN 46 (R), which the FASB issued in December 2003 to revise the original pronouncement, broadened the purview of entities covered under the accounting guidance, and redefined the timeline of adoption for entities subject to its requirements. With the issuance of FIN 46 (R), nonpublic enterprises are not required to consolidate variable interest entities established prior to February 1, 2003, for which they are the primary beneficiary until the first period beginning after December 15, 2004. Ex-Im Bank plans to early adopt FIN 46 (R) and consolidate as of October 1, 2004, all other VIEs for which Ex-Im Bank is the primary beneficiary.

2. CREDIT REFORM

The Federal Credit Reform Act of 1990 (Act), which became effective on October 1, 1991, significantly affected the manner in which Ex-Im Bank finances its credit activities. The primary purpose of this Act is to measure more accurately the cost of federal credit programs and to place the cost of such credit programs on a basis equivalent with other federal spending.

Ex-Im Bank received appropriations aggregating \$72.5 million in fiscal year 2004. This appropriation supported the administrative costs of Ex-Im Bank's programs. For fiscal year 2004, due to availability of unobligated balances carried over from the prior year, no appropriation was necessary to cover the estimated subsidy cost of providing new direct loans, guarantees and insurance. Consequently, Ex-Im Bank's request to the Congress for fiscal year 2004 did not contain a request for a subsidy budget appropriation. Ex-Im Bank received appropriations aggregating \$577.7 million in fiscal year 2003, which represented the annual appropriation to cover the estimated subsidy cost of providing new direct loans, guarantees and insurance, and the associated administrative costs of these programs.

The following table summarizes post-credit reform appropriations received and used during fiscal years 2004 and 2003:

(in millions)	FY 2004	FY 2003
RECEIVED AND AVAILABLE:		
For Credit Subsidies	\$ -	\$509.6
For Credit-related Administrative Costs	72.5	68.1
Total Received	72.5	577.7
Unobligated Balance Carried Over from Prior Year	835.3	556.9
Cancellations of Prior-Year Obligations	149.3	103.2
TOTAL AVAILABLE	1,057.1	1,237.8
OBLIGATED:		
For Credit Subsidies Excluding Tied Aid	279.1	334.1
For Credit-related Administrative Costs	72.3	68.1
Subtotal	351.4	402.2
For Tied Aid	-	-
TOTAL OBLIGATED	351.4	402.2
UNOBLIGATED BALANCE:		
Unobligated Balance	705.7	835.6
Unobligated Balance Lapsed	(0.3)	(0.3)
REMAINING BALANCE	\$705.4	\$835.3

Of the remaining balance of \$705.4 million at September 30, 2004, \$23.3 million is available until September 30, 2005, \$421.6 million is available until September 30, 2006, and \$260.5 million is available until expended and may be used for tied aid.

The cost of credit risk (credit subsidies) shown above, is the net present value of expected cash receipts and cash disbursements associated with loans, guarantees and insurance. Cash receipts typically include fees or premiums and loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a "negative" credit subsidy arises. Negative subsidies are remitted to the U.S. Treasury upon disbursement of the underlying credits. Ex-Im Bank transferred \$41.7 million and \$12.6 million of negative subsidies to the U.S. Treasury in fiscal year 2004 and fiscal year 2003, respectively.

The appropriation for administrative costs is based on an annual estimate of the costs to administer and service Ex-Im Bank's entire

credit portfolio. The credit subsidy appropriations are obligated to cover the estimated subsidy costs at the time loans, guarantees and insurance are committed. As the loans are disbursed or when the insured or guaranteed event has taken place (generally when the related goods are shipped), the obligated amounts are used to cover the estimated costs of the subsidies related to the disbursements and shipments. The portion of the appropriation related to Ex-Im Bank's lending programs is used to partially finance the loan disbursements while the portions related to Ex-Im Bank's guarantee and insurance programs are invested in an interest-bearing account with the U.S. Treasury. Prior to this use, all of the appropriated funds are held in a non-interest-bearing U.S. Treasury account.

Because financial and economic factors affecting the repayment prospects change over time, the net estimated subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with OMB guidelines. Re-estimates that result in decreases in estimated subsidy costs result in excess funds returned to the U.S. Treasury while increases in subsidy costs are covered by additional appropriations, which become automatically available. Ex-Im Bank calculates an annual re-estimate of the subsidy costs during the last quarter of the fiscal year. This re-estimate indicates the appropriate level necessary in the financing accounts. In the event that the fees, interest and appropriations in the financing accounts exceeds the re-estimate level, then the difference will not be needed to cover commitments and will be returned to the U.S. Treasury. These amounts are included in the Amounts Payable to the U.S. Treasury on the Statement of Financial Position. In the event that the fees, interest and appropriations in the financing accounts are less than the re-estimate level, the Credit Reform Act of 1990 provides that the difference will be transferred to Ex-Im Bank from a general appropriation account authorized for this purpose. As of September 30, 2004, a re-estimate of the subsidy costs of the outstanding balances of fiscal year 1992 through 2003 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of \$665.5 million was no longer needed to cover commitments and is due to the U.S. Treasury. These amounts are included in the Amounts Payable to the U.S. Treasury on the Statement of Financial Position.

The Statement of Changes in Capital and Accumulated Deficit reflects \$541.7 million in fiscal year 2004 and \$472.6 million in fiscal year 2003 as amounts transferred to the U.S. Treasury. The \$541.7 million represents \$500.0 million of unobligated funds relating to credits authorized prior to October 1, 1991, and \$41.7 million of negative subsidies. The \$472.6 million represents \$460.0 million of unobligated

funds relating to credits authorized prior to October 1, 1991, and \$12.6 million of negative subsidies.

The Statement of Changes in Capital and Accumulated Deficit reflects \$727.7 million in fiscal year 2004 and \$1,882.8 million in fiscal year 2003 as amounts payable to the U.S. Treasury. The amounts payable at the end of fiscal year 2003 were paid to the U.S. Treasury in FY 2004, and the amounts payable at the end of fiscal year 2004 will be paid to the U.S. Treasury in subsequent years. The \$727.7 million represents \$665.5 million for the fiscal year 2004 subsidy re-estimate and \$62.2 million of expired unobligated appropriations. The \$1,882.8 million represents \$1,874.3 million for the fiscal year 2003 subsidy re-estimate and \$8.5 million of expired unobligated appropriations.

3. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

Ex-Im Bank is the primary beneficiary of certain VIEs that have been created in connection with security arrangements for certain export credits, primarily Ex-Im Bank-guaranteed financing for exports of commercial jet aircraft. Typically, the VIEs take title to the aircraft from the aircraft manufacturer, lease the aircraft to the aircraft operator, and fund the purchase by financing from a commercial source of funds. The financing is fully guaranteed as to principal and interest by Ex-Im Bank. The lease and financing terms are arranged so that the lease payments and terms of the loan are equivalent as to amount and timing, thus essentially the lease payments are passed through the VIE to repay the Ex-Im Bank-guaranteed loan.

FIN 46 required immediate consolidation by the primary beneficiary of VIEs created after January 31, 2003. In accordance with that pronouncement, certain VIEs were consolidated with the Bank's fiscal year 2004 and FY 2003 financial statements as described below. In December 2003, FIN 46 (R), Consolidation of Variable Interest Entities (Revised December 2003), was issued and is required to be applied to all VIEs no later than the beginning of the first annual period after December 15, 2004. Ex-Im Bank plans to early adopt FIN 46 (R) and consolidate as of October 1, 2004, all other VIEs for which Ex-Im Bank is the primary beneficiary. The total to be consolidated as of October 1, 2004, is approximately \$5.4 billion in gross lease receivables and borrowings payable.

For fiscal year 2004, there were 28 VIEs with a lease receivable balance, net of allowance \$193.3 million, totaling \$3,815.2 million and borrowings totaling \$4,008.5 million guaranteed by Ex-Im Bank and consolidated with Ex-Im Bank's September 30, 2004, financial statements. For fiscal

year 2003, there were seven VIEs with a lease receivable balance, net of allowance of \$37.1 million, totaling \$803.9 million and borrowings totaling \$841.0 million guaranteed by Ex-Im Bank and consolidated with Ex-Im Bank's September 30, 2003, financial statements. Ex-Im Bank has not consolidated four VIEs created between January 31, 2003, and September 30, 2003, and seven VIEs created in fiscal year 2004 because Ex-Im Bank is not the primary beneficiary. The function of these VIEs is the same as described above; however, a junior subordinated lender has been determined to be the primary beneficiary. When a VIE is not consolidated, it is accounted for as a guarantee as discussed in Note 10.

4. CASH

Cash balances as of fiscal years 2004 and 2003 were as follows:

(in millions)	FY 2004	FY 2003
Credit Reform Financing Accounts	\$3,754	\$3,912
Unexpended Appropriations	1,237.1	1,693.5
Pre-Credit Reform Accounts	46.8	75.9
Unallocated Cash	57.6	94.2
TOTAL	\$5,095.5	\$5,775.6

All cash is deposited at the U. S. Treasury. Ex-Im Bank is restricted in its use of cash balances in the credit reform financing accounts and the unexpended appropriations accounts. Credit reform financing accounts include appropriated funds, exposure fees collected and interest that has been paid by Treasury to Ex-Im Bank on the balances in the account. These funds are available to cover losses in Ex-Im Bank's credit programs. Unexpended appropriations are appropriated funds received that are deposited in a non-interest-bearing account at the U.S. Treasury. These funds are available to Ex-Im Bank when the credit activity to which they relate takes place or to finance administrative expenses. Upon occurrence of the credit activity, disbursement of the related loans or shipment of goods under guarantee or insurance policies, the funds become available to either subsidize the related loan disbursement or to be invested in the credit reform financing accounts to fund the credit costs of the guarantee and insurance policies.

Funds resulting from pre-credit reform activities are available to cover expenditures related to pre-credit reform credits. Unallocated cash represents collections pending final application to the applicable loan or guarantee.

5. LOANS RECEIVABLE, NET

Ex-Im Bank's loans receivable, as shown in the Statement of Financial Position, are net of uncollected interest capitalized upon rescheduling, unamortized fees and discounts, and an allowance for loan losses. At September 30, 2004, and September 30, 2003, the allowance for loan losses equaled 24.7 percent and 25.1 percent, respectively, of the outstanding loans receivable balance net of uncollected capitalized interest and unamortized discount and exposure fees. The net balance of loans receivable at September 30, 2004, and September 30, 2003, consists of the following by region of obligor:

(in millions)	FY 2004	FY 2003
Asia	\$4,167.9	\$4,784.6
Latin America	2,616.5	2,848.3
Africa/Middle East	2,068.0	1,874.4
Europe/Canada	435.9	491.2
	9,288.3	9,998.5
Less: Capitalized Interest	2,131.0	1,884.6
Unamortized Discount and Exposure Fees	218.2	245.2
	6,939.1	7,868.7
Less: Allowance for Loan Losses	1,713.7	1,975.7
NET BALANCE	\$5,225.4	\$5,893.0

Changes in the allowance for loan losses for fiscal years 2004 and 2003 are as follows:

(in millions)	FY 2004	FY 2003
Balance at Beginning of Year	\$1,975.7	\$2,341.0
Write-offs	(12.9)	(216.0)
Provision Credited to Operations	(249.1)	(149.3)
BALANCE AT END OF YEAR	\$1,713.7	\$1,975.7

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2004, and September 30, 2003, were \$3,059.5 million and \$2,769.2 million, respectively. Loan installments of principal rescheduled during fiscal years 2004 and 2003 were \$374.4 million and \$460.1 million, respectively. Loan installments of interest rescheduled during fiscal years 2004 and 2003 were \$214.2 million and \$110.4 million during fiscal year 2003. The interest rate on

rescheduled loans is generally a floating rate of interest, which is 37.5 to 62.5 basis points over Ex-Im Bank's cost of borrowing.

The allowance for loan loss decreased from \$1,975.7 million at September 30, 2003, to \$1,713.7 million at September 30, 2004, due to the decrease in the outstanding balance and less risk in the loan portfolio at the end of fiscal year 2004.

6. RECEIVABLES FROM SUBROGATED CLAIMS, NET

Ex-Im Bank's receivables from subrogated claims are net of uncollected capitalized interest for rescheduled claims and an allowance for claim losses. The net balance of receivables from subrogated claims for fiscal year 2004 and fiscal year 2003 are as follows:

(in millions)	FY 2004	FY 2003
Claims Previously Paid and Unrecovered:		
Rescheduled	\$2,446.9	\$2,446.5
Non-rescheduled	1,436.1	1,517.2
Claims Filed Pending Payment	12.1	12.3
	3,895.1	3,976.0
Less: Capitalized Interest	994.0	885.6
	2,901.1	3,090.4
Less: Allowance for Claim Losses	1,628.7	1,586.3
NET BALANCE	\$1,272.4	\$1,504.1

Changes in the allowance for claim losses for fiscal years 2004 and 2003 are as follows:

(in millions)	FY 2004	FY 2003
Balance at Beginning of Year	\$1,586.3	\$1,910.8
Write-offs	(51.4)	(356.0)
Provision Charged to Operations	93.8	31.5
BALANCE AT END OF YEAR	\$1,628.7	\$1,586.3

7. LEASE RECEIVABLES

Ex-Im Bank's lease receivables arise from consolidating VIEs created in connection with security arrangements for certain export credits. See Note 3. The lease receivables shown in the Statement of Financial

Position are net of an allowance for lease losses. The allowance is calculated based on probable losses inherent in the lease portfolio. The net investment in lease receivables at September 30, 2004 and 2003 is:

(in millions)	FY 2004	FY 2003
Total Minimum Lease Payments To Be Received	\$4,753.2	\$1,056.4
Less: Allowance for Losses	193.3	37.0
Net Minimum Lease Payments Receivable	4,559.9	1,019.4
Less: Unearned Income	744.7	215.5
NET INVESTMENT IN FINANCING LEASES	\$3,815.2	\$803.9

At September 30, 2004, minimum lease payments for each of the five succeeding fiscal years are as follows: \$298.0 million in 2005, \$307.6 million in 2006, \$317.6 million in 2007, \$328.6 million in 2008, and \$340.4 million in 2009.

The change in the allowance for financing lease losses for fiscal years 2004 and 2003 is as follows:

(in millions)	FY 2004	FY 2003
Balance at Beginning of Year	\$37.0	\$ -
Write-offs	-	-
Provision Charged to Operations	156.3	37.0
BALANCE AT END OF YEAR	\$193.3	\$37.0

8. IMPAIRED LOANS AND SUBROGATED CLAIMS RECEIVABLE

Included in loans and subrogated claims receivable are certain credits that are classified as impaired for financial statement purposes. The following table summarizes the gross amount of impaired loans and subrogated claims receivable, net of nonaccrued capitalized interest:

FY 2004 (in millions)	LOANS	CLAIMS	TOTAL
Gross Impaired Receivable	\$3,659.6	\$3,780.8	\$7,440.4
Less: Capitalized Interest	1,846.3	994.0	2,840.3
	1,813.3	2,786.8	4,600.1
Less: Allowance for Losses	950.0	1,628.7	2,578.7
NET IMPAIRED RECEIVABLE	\$863.3	\$1,158.1	\$2,021.4

FY 2003 (in millions)	LOANS	CLAIMS	TOTAL
Gross Impaired Receivable	\$3,439.7	\$3,815.9	\$7,255.6
Less: Capitalized Interest	1,595.1	885.6	2,480.7
	1,844.6	2,930.3	4,774.9
Less: Allowance for Losses	1,056.7	1,441.1	2,497.8
NET IMPAIRED RECEIVABLE	\$787.9	\$1,489.2	\$2,277.1

Interest income on impaired loans and claims is recognized when collected. The average outstanding balance of impaired credits during fiscal year 2004 was \$7,348.0 million and \$7,826.5 million during fiscal year 2003. The interest earned on impaired credits in fiscal year 2004 was \$151.5 million and \$151.3 million in fiscal year 2003, which are included in the \$818.0 million of total interest income on loans and leases reported for fiscal year 2004 and the \$620.9 million reported for fiscal year 2003. On a cash basis, the amount of interest income recognized for fiscal year 2004 and fiscal year 2003 would have been \$149.0 and \$160.6 million, respectively.

Sovereign debt reschedulings take place under the framework of the Paris Club. The Paris Club is an "ad hoc" group of 20 permanent member creditor countries. The Paris Club meets regularly in Paris to discuss and provide debt relief to qualifying debtor countries. The debt relief provided depends on the economic and financial situation of the applying debtor country and can take the form of debt forgiveness and/or debt rescheduling. The amount of principal forgiveness and debt rescheduled in fiscal year 2004 was \$30.4 million and \$976.9 million, respectively, while the amount of principal forgiveness and debt rescheduled in fiscal year 2003 was \$676.4 million and \$1,387.9 million.

The amount written-off to the reserve in fiscal year 2004 includes \$12.9 million in loan write-offs and \$51.4 million in claim write-offs for a total write-off of \$64.3 million. The difference between the reserve write-offs and Paris Club principal forgiveness reflect \$39.6 million of nonsovereign subrogated claims included in the reserve write-off but not included in the Paris Club principal forgiveness and \$5.7 million in capitalized interest not included in reserve write-off but included in the Paris Club principal forgiveness.

The amount written off to the reserve in fiscal year 2003 includes \$216.0 million in loan write-offs and \$356.0 million in claim write-offs for a total write-off of \$572.0 million. The difference between the reserve write-offs and Paris Club principal forgiveness reflect \$14.8 million of nonsovereign subrogated claims included in the reserve write-off but not included in the Paris Club principal forgiveness and \$119.2 million in capitalized interest not included in reserve write-off but included in the Paris Club principal forgiveness.

9. NON-ACCRUAL OF INTEREST

The weighted-average-interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 2004, equaled 3.43 percent (5.87 percent on performing loans and rescheduled claims). The weighted-average-interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 2003, equaled 3.72 percent (6.13 percent on performing loans and rescheduled claims). Interest income is recognized when collected on non-rescheduled claims.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for 90 days. Ex-Im Bank had a total of \$3,173.1 million and \$1,696.9 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2004, and \$3,204.3 million and \$1,689.8 million, respectively, at September 30, 2003. Had these credits been in accrual status, interest income would have been \$35.5 million higher during fiscal year 2004 (amount is net of interest received of \$132.3 million) and \$210.7 million higher in fiscal year 2003 (amount is net of interest received of \$99.1 million).

10. GUARANTEES, INSURANCE AND UNDISBURSED LOANS

Following is a summary of Ex-Im Bank's guarantees, insurance, and undisbursed loans at the end of fiscal year 2004 and 2003.

FY 2004 (in millions)	TOTAL	COMMITMENTS UNUSED	OUTSTANDING*
Guarantees	\$41,361.6	\$6,990.8	\$34,370.8
Insurance	6,183.8	4,792.9	1,390.9
Undisbursed Loans	419.4	419.4	-
TOTAL	\$47,964.8	\$12,203.1	\$35,761.7

FY 2003 (in millions)	TOTAL	COMMITMENTS UNUSED	OUTSTANDING*
Guarantees	\$40,025.7	\$7,598.6	\$32,427.1
Insurance	6,261.1	5,206.1	1,055.0
Undisbursed Loans	550.7	550.7	-
TOTAL	\$46,837.5	\$13,355.4	\$33,482.1

*Shipment of goods has taken place.

Ex-Im Bank is exposed to credit loss with respect to the amount at risk in the event of nonpayment by other parties to the agreements. The commitments shown above are agreements to lend monies and issue guarantees and insurance as long as there is no violation of the conditions established in the credit agreement. Ex-Im Bank's insurance meets the definition of a guarantee under FIN 45.

Prior to the adoption of FIN 45, Ex-Im Bank recorded an allowance for guarantees at fair value. Subsequent to the issuance of FSP FIN 45-2 as of October 1, 2003, Ex-Im Bank separated the fair value of the portfolio into two components representing a noncontingent obligation under FIN 45 and a contingent obligation under FAS 5, using the fair value at September 30, 2003. The noncontingent obligation under FIN 45 was \$3,872.2 million and the contingent obligation under FAS 5 was \$3,391.4 million as of October 1, 2003. During fiscal year 2004, the FIN 45 noncontingent obligation was amortized as the exposure decreased and the FAS 5 contingent obligation relating to the guarantees issued through September 30, 2003, was adjusted to reflect fluctuations in the risk rating. In fiscal year 2004, Ex-Im Bank recorded a liability for guarantees at the time of authorization at their fair value and subsequently amortized the balance as the related exposure decreased, in accordance with FSP FIN 45-2. The FAS 5 allowance for contingent obligations recorded in fiscal year 2004 for guarantees issued post September 30, 2003, takes into consideration the noncontingent obligation recorded under FIN 45. As of September 30, 2004, the amount included in the allowance for guarantees and insurance incorporates a noncontingent obligation under FIN 45 of \$3,728.9 million and contingent obligation under FAS 5 of \$2,348.8 million.

In fiscal year 2004, the amortization of the noncontingent obligation under FIN 45 was \$679.8 million, which is included in Guarantee Amortization on the Statement of Operations.

Ex-Im Bank authorized transactions denominated in a foreign currency totaling \$1,632.9 million during fiscal year 2004 and \$1,745.7 during fiscal year 2003, as calculated at the exchange rate at the time of authorization. Ex-Im Bank adjusts the allowance for all transactions denominated in a foreign currency using the various foreign currency exchange rates at the end of the fiscal year. The impact of the foreign currency adjustment on the allowance for guarantees and insurance is \$63.3 million as of September 30, 2004.

Most of Ex-Im Bank's guarantees, insurance, and undisbursed loans involve credits located outside of the United States. Following is a breakdown of total commitments at September 30, 2004:

(in millions)	GUARANTEES	INSURANCE	UNDISBURSED LOANS	TOTAL
Asia	\$12,726.1	\$144.2	\$68.1	\$12,938.4
Latin America	10,086.7	1,706.0	336.0	12,128.7
Europe/Canada	9,637.3	336.4	0.1	9,973.8
Africa/Middle East	4,987.7	475.1	15.2	5,478.0
United States/Other	3,923.8	0.0	0.0	3,923.8
Short-Term Insurance (Unshipped)	0.0	3,522.1	0.0	3,522.1
TOTAL	\$41,361.6	\$6,183.8	\$419.4	\$47,964.8

Changes in the allowance for guarantees, insurance, and undisbursed loans risk for fiscal years 2004 and 2003 are as follows:

(in millions)	FY 2004	FY 2003
Balance at Beginning of Year	\$7,263.6	\$7,069.6
Provision (Credited)/Charged to Operations	(506.1)	194.0
Guarantee Amortization	(679.8)	N/A
BALANCE AT END OF YEAR	\$6,077.7	\$7,263.6

The allowance for guarantees, insurance and undisbursed loans decreased from \$7,263.3 million at September 30, 2003, to \$6,077.7 million at September 30, 2004, due to the amortization of the guarantees under FIN 45 as well as the lower overall risk in the portfolio at the end of fiscal year 2004.

11. SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

The composition of the allowance for credit losses for loans, claims, lease receivables and guarantees, insurance and undisbursed loans is as follows:

(in millions)	FY 2004	FY 2003
Allowance for Loan Losses	\$1,713.7	\$1,975.7
Allowance for Claim Losses	1,628.7	1,586.3
Allowance for Lease Receivable	193.3	37.0
Allowance for Guarantees, Insurance and Undisbursed Loans	6,077.7	7,263.6
TOTAL	\$9,613.4	\$10,862.6

12. SUMMARY OF PROVISION CHARGED TO OPERATIONS

The composition of the provision for credit losses for loans, claims, lease receivables and guarantees, insurance and undisbursed loans is as follows:

(in millions)	FY 2004	FY 2003
Provision for Loan Losses	\$(249.1)	\$(149.3)
Provision for Claim Losses	93.8	31.5
Provision for Lease Losses	156.3	37.0
Provision for Guarantees, Insurance and Undisbursed Loans	(506.1)	194.0
TOTAL	\$(505.1)	\$113.2

13. STATUTORY LIMITATIONS ON LENDING AUTHORITY

Under provisions of the Export-Import Bank Act, as amended in fiscal year 2002, Ex-Im Bank's statutory authority currently is limited to \$90.0 billion of loans, guarantees and insurance outstanding at any one time. At September 30, 2004 and 2003, Ex-Im Bank's statutory authority used was as follows:

(in millions)	FY 2004	FY 2003
Outstanding Loans	\$9,288.3	\$9,998.5
Undisbursed Loans	419.4	550.7
Outstanding Claims	3,895.1	3,976.0
Guarantees	41,361.6	40,025.7
Insurance	6,183.8	6,261.1
TOTAL	\$61,148.2	\$60,812.0

The statutory authority increases \$5 billion each year to a total of \$100 billion in fiscal year 2006.

Congress provides an appropriation to cover the subsidy cost of the transactions committed. Transactions can be committed only to the extent that appropriated funds are available to cover such costs. For fiscal years 2004 and 2003, Congress placed no limit on the total amount of loans, guarantees and insurance that could be committed in those years, provided that the statutory authority established by the Export-Import Bank Act was not exceeded.

During fiscal year 2004, Ex-Im Bank entered into commitments for loans of \$227.1 million using \$21.5 million of the appropriation and commitments for guarantees and insurance of \$13,093.9 million using \$257.7 million of the appropriation. During fiscal year 2003, Ex-Im Bank entered into commitments for loans of \$58.3 million using \$0.9 million of the appropriation and commitments for guarantees and insurance of \$10,448.9 million using \$333.2 million of the appropriation.

14. CONCENTRATION OF RISK

Although Ex-Im Bank has a diversified portfolio, its credits are more heavily concentrated in some regions or industries than others. The following table summarizes Ex-Im Bank's total exposure by geographic region and industry as of September 30, 2004.

TOTAL EXPOSURE:

(in millions)

REGION	AMOUNT	PERCENT
Asia	\$17,967.5	29.4%
Latin America	15,570.3	25.5%
Europe/Canada	10,840.7	17.7%
Africa/Middle East	9,222.3	15.1%
All Other	7,547.4	12.3%
TOTAL	\$61,148.2	100.0%

(in millions)

INDUSTRY	AMOUNT	PERCENT
Air Transportation	\$23,475.0	38.4%
Power Projects	6,577.7	10.8%
Oil and Gas	6,415.5	10.5%
Manufacturing	4,309.1	7.0%
All Other	20,370.9	33.3%
TOTAL	\$61,148.2	100.0%

At September 30, 2004, Ex-Im Bank's five largest obligors made up 16.5 percent of the credit portfolio.

(in millions)

OBLIGOR	AMOUNT	PERCENT
PEMEX	\$3,694.5	6.0%
Industrial & Commercial Bank Of China	1,774.1	2.9%
Korean Airlines	1,639.0	2.7%
Government of Saudi Arabia	1,525.3	2.5%
Undersecretariat of Treasury (Turkey)	1,464.0	2.4%
All Other	51,051.3	83.5%
TOTAL	\$61,148.2	100.0%

The largest exposures by program by country are as follows as of September 30, 2004:

LOANS OUTSTANDING:

(in millions)

COUNTRY	AMOUNT	PERCENT
Indonesia	\$1,798.6	19.4%
Brazil	1,713.0	18.4%
China	1,158.7	12.5%
Nigeria	713.8	7.7%
All Other	3,904.2	42.0%
TOTAL	\$9,288.3	100.0%

SUBROGATED CLAIMS:

(in millions)

COUNTRY	AMOUNT	PERCENT
Algeria	\$634.2	16.3%
Indonesia	610.4	15.7%
Democratic Republic Congo	449.6	11.5%
Nigeria	230.9	5.9%
All Other	1,970.0	50.6%
TOTAL	\$3,895.1	100.0%

GUARANTEES, INSURANCE AND UNDISBURSED LOANS:

(in millions)

COUNTRY	AMOUNT	PERCENT
Mexico	\$6,122.5	12.8%
China	2,977.7	6.2%
Turkey	2,836.2	5.9%
Korea	2,675.8	5.6%
All Other	33,352.6	69.5%
TOTAL	\$47,964.8	100.0%

15. BORROWINGS

Ex-Im Bank's outstanding borrowings come from three sources: direct borrowing from the U.S. Treasury, the assumption of repayment obligations of defaulted guarantees under Ex-Im Bank's guarantee program via payment certificates, and borrowings of VIEs consolidated on Ex-Im Bank's financial statements.

Payment certificates are issued by Ex-Im Bank in exchange for the foreign importer's original note that was guaranteed by Ex-Im Bank on which Ex-Im Bank has paid a claim and carries the same repayment term and interest rate as the foreign importer's note. Payment certificates are backed by the full faith and credit of the U.S. government and are freely transferable.

Outstanding payment certificates at September 30, 2004, and September 30, 2003, were \$448.5 million and \$593.0 million, respectively. Maturities of payment certificates at September 30, 2004, are as follows:

FISCAL YEAR	AMOUNT
2005	\$156.5
2006	107.4
2007	62.2
2008	33.5
2009	19.3
Thereafter	69.6
TOTAL	\$448.5

The weighted-average-interest rate on Ex-Im Bank's outstanding payment certificates at September 30, 2004, was 5.90 percent and at September 30, 2003, was 5.80 percent.

U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to Ex-Im Bank through the re-estimation process for this purpose. Accordingly, U.S. Treasury borrowings do not have a set repayment schedule; however, the full amount of the borrowings is expected to be repaid by fiscal year 2032. At September 30, 2004, and September 30, 2003, Ex-Im Bank had \$7,237.2 million and \$7,280.5 million of borrowings outstanding with the U.S. Treasury at a weighted-average-interest rate of 5.69 percent and 5.96 percent, respectively.

At September 30, 2004, and September 30, 2003, outstanding borrowings consolidated from VIEs were \$4,008.5 million and \$841.0 million, respectively. Most of the borrowings carry a floating rate of interest. The weighted-average-interest rate at September 30, 2004, was 3.01 percent and at September 30, 2003, was 3.94 percent. These borrowings have a final maturity date of 2016.

The repayments for the outstanding borrowings consolidated from VIEs at September 30, 2004, for each of the five succeeding fiscal years are as follows: \$298.0 million in 2005, \$307.6 million in 2006, \$317.6 million in 2007, \$328.6 million in 2008, and \$340.4 million in 2009.

16. RELATED-PARTY TRANSACTIONS

The financial statements reflect the results of contractual agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private sector banks, industrial companies and financial services institutions, makes medium-term and long-term fixed and variable rate loans to foreign borrowers to purchase U.S.-made equipment when such loans are not available from traditional private sector lenders on competitive terms. Ex-Im Bank's credit and guarantee agreement with PEFCO extends through December 31, 2020. Through its contractual agreements with PEFCO, Ex-Im Bank exercises a broad measure of supervision over PEFCO's major financial management decisions, including approval of both the terms of individual loan commitments and the terms of PEFCO's long-term debt issues, and is entitled to representation at all meetings of PEFCO's board of directors, advisory board and exporters' council.

PEFCO has agreements with Ex-Im Bank which provide that Ex-Im Bank will (1) guarantee the due and punctual payment of principal and interest on export loans made by PEFCO and (2) guarantee the due and punctual payment of interest on PEFCO's long-term secured debt obligations when requested by PEFCO. Such guarantees, aggregating \$4,542.3 million at September 30, 2004, and \$4,778.6 million at September 30, 2003, are included by Ex-Im Bank in the total for guarantee insurance and undisbursed loans and the allowance related to these transactions is included in the allowance for guarantees in the Statement of Financial Position. Ex-Im Bank received fees totaling \$26.1 million in fiscal year 2004 and \$15.8 million in fiscal year 2003 for the agreements, which are included in the amount listed in Exposure Fees for Guarantees on the Statement of Operations.

Ex-Im Bank has significant transactions with the U.S. Treasury. The U.S. Treasury, although not exercising control over Ex-Im Bank, holds

the capital stock of Ex-Im Bank creating a related-party relationship between Ex-Im Bank and the U.S. Treasury.

17. PENSIONS AND ACCRUED ANNUAL LEAVE

Virtually all of Ex-Im Bank's employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

In 2004 Ex-Im Bank withheld 7.0 percent of CSRS employees' gross earnings. Ex-Im Bank's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, Ex-Im Bank withheld 0.80 percent of employees' gross earnings. Ex-Im Bank's contribution was 10.7 percent of employees' gross earnings. This sum was transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings is withheld; that plus matching contributions by Ex-Im Bank are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). CSRS employees may contribute up to 9 percent of gross earnings. FERS employees may contribute up to 14 percent of gross earnings. In addition, FERS employees receive an automatic 1 percent contribution from Ex-Im Bank. Amounts withheld for FERS employees are matched by Ex-Im Bank, up to 4 percent, for a maximum Ex-Im Bank contribution to the TSP of 5 percent.

Total Ex-Im Bank (employer) matching contributions to the Thrift Savings Plan, CSRS, and FERS for all employees, included in administrative expenses, were approximately \$4.4 million and \$4.1 million for fiscal year 2004 and fiscal year 2003, respectively.

Although Ex-Im Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the Office of Personnel Management (OPM) for the Retirement Systems and are not allocated to the individual employers. OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual-employer basis.

Ex-Im Bank's liability to employees for accrued annual leave, included in other liabilities, was \$2.7 million at the end of September 30, 2004, and \$2.5 million for the fiscal year ended September 30, 2003.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments to which Ex-Im Bank has a contractual obligation to deliver cash or a contractual right to receive cash from another entity were estimated based on the methods and assumptions identified with each class of financial instrument listed below.

Loans Receivable, Receivables from Subrogated Claims, Guarantees and Insurance

Substantially all of these instruments involve credit risks that private lenders or guarantors would not accept. However, as discussed in Note 2,

the Credit Reform Act requires Ex-Im Bank to calculate the net present value of the cost of its credit programs based on management's assumptions with respect to future economic conditions, the amount and timing of future cash flows, and estimated discount rates. Ex-Im Bank believes that the values derived by applying these assumptions to Ex-Im Bank's loans, claims, guarantees and insurance approximate their fair values.

Borrowings and Claims Payable

The fair value of these instruments were estimated based on discounting the future cash flows using interest rates currently available to Ex-Im Bank for borrowings from the U.S. Treasury for comparable maturities. The interest rate for claims payable used to discount future cash flows is the six-month LIBOR rate plus 50 basis points.

(in millions)	SEPTEMBER 30, 2004		SEPTEMBER 30, 2003	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
FINANCIAL ASSETS:				
Cash	\$5,095.5	\$5,095.5	\$5,775.6	\$5,775.6
Loans Receivable, Net	5,225.4	5,163.9	5,893.0	5,626.7
Receivables From Subrogated Claims, Net	1,272.4	1,272.4	1,504.1	1,504.1
FINANCIAL LIABILITIES:				
Guarantees and Insurance	\$6,077.7	\$6,077.7	\$7,263.6	\$7,263.6
Borrowings From the U.S. Treasury	7,237.2	8,334.2	7,280.5	8,488.3
Borrowings Consolidated from VIEs	4,008.4	3,865.1	841.0	875.8
Payment Certificates	448.5	486.7	593.0	643.6
Claims Payable	12.1	12.1	12.3	12.3

Use of different methods and assumptions could significantly affect these estimates. Accordingly, the net realizable value could be materially different.

19. COMMITMENTS AND CONTINGENCIES

Office Space Lease

Ex-Im Bank's office space is leased primarily from the General Services Administration (GSA) through the Public Buildings Fund. The annual lease amount is determined each year at the discretion of GSA. Lease expenses, included in administrative expenses, were \$4.1 million and \$4.0 million for fiscal years 2004 and 2003, respectively.

Pending Litigation

As of the end of September 30, 2004, Ex-Im Bank was named in several legal actions, virtually all of which involved claims under the guarantee and insurance programs. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that these claims will not result in liabilities to such an extent they would materially affect the financial position or results of operations of Ex-Im Bank.

Project Finance

In project finance cases, Ex-Im Bank's assistance during the construction period generally is in the form of a direct credit or comprehensive guarantee to the private lender. At the end of the construction period, the borrower in some cases has the opportunity to convert the private-guaranteed financing to an Ex-Im Bank direct loan. As of September 30, 2004, Ex-Im Bank had \$1,208.7 million of such contingent loan commitments outstanding.

20. GAAP-TO-GOVERNMENT-GAAP RECONCILIATION

Ex-Im Bank prepares its financial statements in accordance with GAAP. In January 2000, the American Institute for Certified Public Accountants (AICPA) recognized the Federal Accounting Standards Advisory Board (FASAB) as the standard setting body for federal entities. FASAB established generally accepted accounting principles for

the preparation of federal agencies' financial statements (government GAAP) which differ in some respects from GAAP.

The manner in which loss reserves are calculated under GAAP differs from the way they are calculated under government GAAP. As detailed in Note 2, Ex-Im Bank's operations are subject to the Credit Reform Act of 1990. Under the Credit Reform Act, the cost of credit risk is defined as the net present value of cash disbursements offset by the net present value of cash receipts, such as fees, premiums, and loan principal and interest. This definition of cost of credit risk is used to determine the level of credit-related loss reserves under government GAAP. However, GAAP generally does not recognize future fees and premiums as an offset to the allowance since to do so would recognize income before it is earned. The difference in treatment of the level of loss reserves between government GAAP and GAAP is reflected in the Government GAAP/GAAP Statement of Financial Position. Under government GAAP guidance, the allowance for loans and subrogated claims receivable is less, the reserve for guarantees and insurance is less, and equity is greater.

The amount of net income reported under government GAAP is also different than net income reported under GAAP. Depending on the level of activity, net income reported on a government GAAP basis may be more or less than net income reported on a GAAP basis.

Ex-Im Bank's Statement of Financial Position is presented in accordance with GAAP for financial reporting purposes. The reconciliation of Ex-Im Bank's Statement of Financial Position prepared in accordance with GAAP to the Statement of Financial Position in accordance with government GAAP and the reconciliation of net income from the accompanying GAAP Statement of Operations to net income in accordance with government GAAP follow:

(in millions)	SEPTEMBER 30, 2004		SEPTEMBER 30, 2003	
	GAAP	GOVERNMENT GAAP	GAAP	GOVERNMENT GAAP
ASSETS				
Cash	\$5,095.5	\$5,095.5	\$5,775.6	\$5,775.6
Loans Receivable, Net	5,225.4	5,845.8	5,893.0	7,028.1
Receivables from Subrogated Claims, Net	1,272.4	1,887.2	1,504.1	2,086.9
Lease Receivables Consolidated from VIEs, Net	3,815.2	0.0	803.9	0.0
Subsidy Receivable from Program Account	N/A	747.7	N/A	1,037.3
Accrued Interest, Fees Received and Other Assets	145.3	130.3	151.9	147.0
TOTAL ASSETS	\$15,553.8	\$13,706.5	\$14,128.5	\$16,074.9
LIABILITIES & EQUITY				
Borrowings from the U.S. Treasury	\$7,237.2	\$7,237.2	\$7,280.5	\$7,280.5
Payment Certificates	448.5	448.5	593.0	593.0
Borrowings Consolidated from VIEs	4,008.5	0.0	841.0	0.0
Allowance for Guarantees, Insurance and Undisbursed Loans	6,077.7	N/A	7,263.6	N/A
Claims Payable	12.1	12.1	12.3	12.3
Guarantee Loan Liability	N/A	3,071.8	N/A	3,089.6
Liability for Subsidy Related to Undisbursed Loans/Guarantees	N/A	458.9	N/A	804.7
Subsidy Payable to Financing Account, Net	N/A	288.8	N/A	232.5
Amounts Payable to the U.S. Treasury	751.5	1,040.3	1,943.5	2,176.1
Deferred Fees	889.5	0.0	887.1	0.0
Other Liabilities	83.3	68.4	108.3	103.4
Total Liabilities	19,508.3	12,626.0	18,929.3	14,292.1
Capital Stock held by the U.S. Treasury	1,000.0	1,000.0	1,000.0	1,000.0
Tied Aid Appropriations	341.7	N/A	342.9	N/A
Credit Appropriations	444.9	N/A	574.9	N/A
Unexpended Appropriations	N/A	1,139.1	N/A	1,624.7
Accumulated Deficit	(5,741.1)	(1,058.6)	(6,718.6)	(841.9)
Total Stockholder's (Deficiency) / Equity	(3,954.5)	1,080.5	(4,800.8)	1,782.8
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$15,553.8	\$13,706.5	\$14,128.5	\$16,074.9

Government GAAP /GAAP Statement of Financial Position Reconciliation

The following are the differences between government GAAP and GAAP in the statements above:

Loans Receivable, Net under government GAAP is higher by \$620.4 million in fiscal year 2004 and \$1,135.1 million in fiscal year 2003. Loan interest and fee income is credited to the loan loss reserve under government GAAP, which results in a lower loss reserve and a larger receivable. Additionally, the methodology for determining the allowance for loan losses under GAAP differs in some respects with the methodology under government GAAP, generally resulting in a lower allowance under government GAAP.

Receivables from Subrogated Claims under government GAAP is higher by \$614.8 million in fiscal year 2004 and \$582.8 million in fiscal year 2003. Interest income on rescheduled claims is credited to the loss reserve under government GAAP, which results in a lower loss reserve and a larger receivable.

Lease Receivables Consolidated From VIEs, Net, and Borrowings Consolidated From VIEs are recorded under GAAP, which requires consolidation of certain special purpose entities where Ex-Im Bank is providing a guarantee to the lender and is the primary beneficiary. Government GAAP does not require consolidation and the amounts are zero.

Under government GAAP, the Subsidy Receivable from the Program Account of \$747.7 million for fiscal year 2004 and \$1,037.3 million for fiscal year 2003 is fully offset by the Liability for Subsidy Related to Undisbursed Loans and Guarantees and the Subsidy Payable to the Financing Account, Net. These amounts are payable to and receivable from different Ex-Im Bank accounts at the U.S. Treasury and net to zero. They are not broken out separately under GAAP.

The Allowance for Guarantee, Insurance and Undisbursed Loans shown under GAAP is the equivalent of the Guarantee Loan Liability and the Liability for Subsidy Related to Undisbursed Loans/Guarantees under government GAAP. The government GAAP figure is lower by \$2,547.0 million in fiscal year 2004 and \$3,369.3 million in fiscal year 2003 because fees are recorded as income when received under government GAAP. Also, the allowance is adjusted for the amounts related to consolidated VIEs under GAAP, no such adjustments is recorded under government GAAP. Additionally, the methodology for determining the allowance under GAAP differs in some respects with the methodology under government GAAP, generally resulting in a smaller allowance under government GAAP.

Amounts Payable to the U.S. Treasury are higher by \$288.8 million in fiscal year 2004 and \$232.6 million in fiscal year 2003 under government GAAP. The annual subsidy re-estimate calculation is made up of two components, an amount due from the U.S. Treasury for cohorts of loans and guarantees that have increased in risk and an amount payable to the U.S. Treasury for cohorts of loans and guarantees that have decreased in risk. Under GAAP, the two components are netted and shown as Amounts Payable to the U.S. Treasury. Under government GAAP, the amount due to the U.S. Treasury is shown as a payable and the amount due from the U.S. Treasury is recorded as an increase to subsidy expense that is reflected in the Accumulated Deficit. In addition, the net value of credits authorized prior to October 1, 1991, is recorded as a payable to the U.S. Treasury under government GAAP but is reflected in the Accumulated Deficit under GAAP.

Deferred fees are \$889.5 million in fiscal year 2004 and \$887.1 million in fiscal year 2003 under GAAP and are zero under Government GAAP. Under Government GAAP, guarantee exposure fees are not deferred but are credited directly to the Guarantee Loan Liability. Under GAAP, such fees are deferred for loans and for guarantees.

Under government GAAP, Stockholder's Deficiency is lower by \$5,035.0 million in fiscal year 2004 and \$6,583.6 in fiscal year 2003 than under GAAP. Lower loss reserves under government GAAP result in less provision expense which results in higher stockholder's equity. Also, under government GAAP, Unexpended Appropriations of \$1,139.1 million in fiscal year 2004 and \$1,624.7 million in fiscal year 2003 includes both obligated and unobligated balances. Under GAAP, only the obligated portion of unexpended appropriations is reflected in the Accumulated Deficit.

Government GAAP /GAAP Statement of Operations Supplemental Reconciliation

(in millions)	SEPTEMBER 30, 2004	SEPTEMBER 30, 2003
Reported Net Income, GAAP Basis	\$2,044.4	\$641.4
ADJUSTMENTS TO INCOME:		
Subsidy Appropriation Used	646.4	578.2
Appropriation from Prior-Year Re-estimate	232.6	44.5
Administrative Expense Appropriation Used	71.8	66.5
Total Adjustments to Income	950.8	689.2
ADJUSTMENTS TO EXPENSE:		
Subsidy Expense	(1,677.2)	1,089.2
Financing Resources Transferred Out	(954.4)	(2,106.8)
Future Funded Expense	(288.8)	(188.0)
Lease Provision	156.3	37.0
Total Adjustments to Expense	(2,764.1)	(1,168.6)
NET INCOME GOVERNMENT-GAAP BASIS	\$231.1	\$162.0

All of the differences in the schedule above result from differences in the treatment of appropriations and re-estimates between government GAAP and GAAP. Under government GAAP, the receipt and use of appropriations for credit activity, administrative expense and re-estimates is reflected in the Statement of Operations. Under GAAP this activity is shown as part of the Statement of Changes in Capital and Accumulated Deficit.